

Minneapolis Community Development Agency

## Request for City Council Committee Action

Date: August 12th, 2003

To: Council Member Goodman, Community Development Committee  
Council Member Johnson, Ways and Means/Budget Committee

Refer to: MCDA Board of Commissioners

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Approved by Lee Sheehy, MCDA Executive Director  
Chuck Lutz, MCDA Deputy Executive Director \_\_\_\_\_

Subject: Accept & Appropriate Spring 2003 Minnesota Department of Trade & Economic Development (DTED) Contamination Cleanup, Metropolitan Council Livable Communities Tax Base Revitalization Account (TBRA); Livable Communities Demonstration Account (LCDA) grants and the Hennepin County Environmental Response Fund; Execute Grant & Subrecipient Agreements

**Previous Directives:** On April 18, 2003, the City Council authorized submission of grant applications to the Minnesota Department of Trade & Economic Development and the Metropolitan Council.

**Wards:** 1, 2, 3, 5, 6, 7

**Neighborhood Group Notification:** The SEED Committee was told at its September 18, 2002 meeting that an application would be made for funds to clean up the SEMI Phase VII site. The Whittier Alliance has approved the Despatch Laundry project. Northside Residents Redevelopment Council (NRRC) has held several community meetings and sought neighborhood review and support for the 2201 Plymouth Ave. N. project from the Residential and Commercial Taskforce on March 10, 2003. For 1256 Penn Ave. N. NRRC, the neighborhood association, is the applicant. For 1620 Central Ave. NE, the Logan Park neighborhood was notified of the pending application in March, 2003. Lowry Hill Residents, Inc. approved the Walker Expansion Project, including the Garage; in addition the Walker Art Center convened a group consisting of representatives of four adjacent neighborhoods, which also endorsed the project. There have been regular meetings with the Harrison Neighborhood Association about the Queen Campus project, and the neighborhood has been notified that funds will be sought. NRRC considered the Cecil Newman application in March, 2003. NRRC was notified of the Homewoods Apartment application in late February 2003. Ventura Village was notified that funds will be sought for the investigation of asbestos and lead at 1822 Park Avenue. The MCDA and Holland Neighborhood Improvement Association entered

into a Memorandum of Understanding on March 22, 2002 regarding 2101 Washington St. N. NRRC is the neighborhood association and the applicant for 2309 Plymouth Ave. N. The Industry Square Project Committee at its meeting on March 12, 2003 took action supporting the submission of a pollution grant application for the Phase 3 area of Parcel D (West). The Heritage Park Phases 3 and 4 and Children's Environmental Health applications have not been specifically referred to neighborhood organizations.

**Consistency with *Building a City That Works*:** Heritage Park, Despatch Laundry, 2201 Plymouth Avenue N., 1256 Penn Ave., Queen Campus, Cecil Newman, The Homewood Apartments, 1622 Park, 2101 Washington St. NE, 2309 Plymouth Ave. N., Children's Environmental Health and Parcel D West are consistent with Goal 2: Ensure that an array of housing choices exist to meet the needs of our current residents and attract new residents to the city, Strategy 2: Increase the development of affordable housing in neighborhoods with stronger markets, and Goal 3: Support strong and diverse neighborhoods where people choose to live. SEMI, Phase VII and 1620 Central Ave. NE are consistent with Goal 1: Increase the city's economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents, Strategy 1: Provide clean, buildable land parcels to meet the needs of business expansion and relocation within the city. The Walker Parking Ramp is consistent with Goal 1: Increase the city's economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents. Objective B. Attract and expand new and existing services, infrastructure, developments and employers that position Minneapolis and the region to compete in the economy of the 21st century.

**Comprehensive Plan Compliance:** Complies with land reclamation and providing a healthy environment elements of the Minneapolis Plan.

**Zoning Code Compliance:** The proposed projects either are in compliance or will comply with the Minneapolis Zoning Code.

**Impact on MCDA Budget:** (Check those that apply)

- ☐ No financial impact
- ☒ Action requires an appropriation increase to the MCDA Budget
- ☒ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☒ Other financial impact (Explain):

DTED grants require a 25% local match. Heritage Park and Walker Art Center have existing local matches through City of Minneapolis bond funding. Karamu East local match will be provided by Northside Residents Redevelopment Council (NRRC).

**Living Wage / Business Subsidy:** Environmental assistance is exempt from Living Wage/Business Subsidy.

**Job Linkage:** Generally exempt, may be case by case exceptions.

**Affirmative Action Compliance:** Will comply

**Recommendation:**  
**City Council**

1. Accept the following grants:

DTED Contamination Cleanup

Heritage Park - \$539,794; Walker Art Center - \$300,000; Karamu East - \$25,000

Metropolitan Council TBRA/LCDA

Heritage Park - \$147,750; Washington Live Work - \$359,785; Grain Belt Housing - \$775,000

Hennepin County Environmental Response Fund

2101 Washington Street N.E. - \$30,000; Cecil Newman Plaza - \$20,000;  
 Heritage Park - \$143,750; Ripley Gardens - \$150,000; 1822 Park Avenue - \$50,000;  
 Former Gas Holder No. 4 University of Minnesota - \$50,000;  
 Homewood Apartments – \$20,000;

2. Increase the 2002 MCDA Appropriation Resolution in Fund SMN by \$2,611,086
3. Increase MCDA Revenue Budget in Fund SMN  
 (3215-04 MN State Grants) by \$864,794  
 (3215-13 Other MN Grantor Agencies) by \$1,746,292
4. Forward this report to the MCDA Board of Commissioners for its review and approval

**MCDA Board of Commissioners**

1. Authorize Interim Executive Director to execute grant and subrecipient agreements

**Background/Supporting Information**

The MCDA is pleased to report that projects submitted in the Spring of 2003 Minnesota Department of Trade & Economic Development (DTED); Metropolitan Council Livable Communities Tax Base Revitalization Account (TBRA); and the Hennepin County Environmental Response Fund (ERF) grant round have been approved for funding. The awards total \$2,611,086 (DTED - \$864,794; TBRA - \$507,535; LCDA - \$775,000; and Hennepin County ERF - \$463,757) in redevelopment and pollution remediation grants.

Enacted by the legislature in 1995, the Metropolitan Livable Communities Act designated the Metropolitan Council as the administrator of the TBRA and LCDA Programs. These programs make grants to clean-up contaminated land for subsequent redevelopment, job retention, housing development and job growth in areas that have lost some of their commercial/industrial base. Applications to this program are due in Spring and Fall of each year. Local match is not required. The City of Minneapolis geographic area is restricted to receiving no more than \$1,300,000 in the TBRA.

The Minnesota Contamination Cleanup Grant Program was established in 1993 to clean up contaminated sites and convert contaminated property into a marketable asset. DTED is the administering state agency. Applications are due in Spring and Fall of each year and a local non-tax increment match equal to twenty-five percent of the cleanup costs is required. There is no financial limit for the City of Minneapolis geographic area.

On September 17, 2001 the Hennepin County Board of Commissioners authorized the use of the ERF. A Hennepin County mortgage registry and deed tax authorized in 1997 under Minnesota Statute 383B.80 funds the ERF. During the 2002 legislative session, the sunset date for mortgage registry and deed tax was extended to January 1, 2008. The purpose of the ERF is to fund environmental-related assessment and cleanup of sites where such activities have been hampered because there is no other source of funding, a public non-tax-generating end use is intended, and/or affordable housing is being created or preserved. Projects targeted by the ERF have historically ranked low in terms of funding priority when using the tax-base increase/job creation criteria applied by the Minnesota Department of Trade and Economic Development and Metropolitan Council environmental assessment and cleanup grant programs.

## **Projects**

### **Heritage Park - DTED \$539,794; TBRA \$147,750; and Hennepin County ERF \$146,750**

#### **Ward 5**

Redevelopment Project is a major renewal of a blighted, under-served area in what was once one of Minneapolis' poorest neighborhoods. Heritage Park is a complex, \$200+ million initiative that is redeveloping four former public housing developments into a vibrant community. The redevelopment goal is to create a mixed-use, mixed-income, high-amenity community on the near north side of Minneapolis. Heritage Park will contain 900 new units of mixed-density housing to accommodate a variety of income levels - with special emphasis on those families and individuals making less than 80% of the adjusted median income level. These new homes will be an economic catalyst for new commercial, retail and housing development in the adjacent Harrison & Willard-Hay neighborhoods and to greater Minneapolis. Not only will Heritage Park bring new housing units, the development will also include parkland amenities, transportation links, brownfield remediation and major infrastructure changes. The Heritage Park development is applying to Hennepin County, MnDTED and Metropolitan Council for assistance in paying for environmental assessment and remediation efforts. These grant funds will permit the project's Phase 3 & 4 infrastructure and site preparation activities to occur. The project will use existing City of Minneapolis bond funds to pay for any local match obligations.

### **Walker Art Center – DTED \$300,000**

#### **Ward 7**

The City of Minneapolis requested funds to pay for a portion of the cleanup on a 2.91-acre site at 1750 Hennepin Avenue in the Lowry Hill neighborhood of Minneapolis. The

site housed an insurance company on which three petroleum tank leak-sites were found. Cleanup required excavation and removal of contaminated soils, and installation of a vapor barrier beneath the new building. The city of Minneapolis plans to construct and lease the space from The Walker for an underground public parking garage on this site, and the Walker will expand its museum and sculpture garden space in the floors above the garage. The Walker expansion will create 15 new jobs. The development is expected to create a \$543,475 increase in city funds through a contractual annual fee. The project will develop an underground 665 car garage owned by the City of Minneapolis (total construction cost of \$25 million). The Walker expansion project, total investment of \$100 million, is expected to result in 114 to 126 new jobs in the Walker plus the jobs created in the parking garage.

Pollution from several leaking underground fuel tanks at the Allianz site is much more extensive than anticipated. The initial cleanup budget was \$50,000. No funds in either the public or private budget were programmed for this cost. Braun Engineering projects the total remediation cost at \$1.25 million. The much greater than expected cleanup cost is due to the unique site soil and groundwater situation and the severe downward slope of the Allianz site toward the north. Thus the contamination has moved farther and is at the level of the occupied basements of the Walker and Guthrie facilities.

The Walker has applied to the Petrofund and now proposes to apply, through the City Public Works Department, to the DTED Contamination Cleanup Fund for the balance of funds necessary for contamination cleanup. It is anticipated some funds may be obtained from Petrofund, and the Pollution Control Agency is now considering this matter. If no monies were approved from the Petrofund, the local match would be \$312,500. No determination has been made at this time regarding seeking remediation funding from prior property owners.

#### **Karamu East – DTED \$25,000**

Ward 5

The MCDA requested funds to investigate for contaminants at a 1.035-acre site at the intersection of Plymouth and Penn Avenues in Minneapolis. Starting in 1923 the site was used as a gas station. In 1976, Minneapolis purchased the property and has since been trying to create a vital site. Minneapolis eventually sold the property to a failed business venture and repurchased the property again in 1992. In 1994, the buildings were razed. Once the site has been investigated and cleaned (if necessary), the MCDA will sell the property to a nonprofit neighborhood developer, the Northside Residents Redevelopment Council (NRRC). NRRC plans to develop 35 owner-occupied units for seniors and 10,000 square feet of commercial/retail space. The development is expected to create 30 jobs and increase the tax base by \$73,340.

#### **Washington Live/Work Building – TBRA \$ 359,785**

Ward 2

The MCDA requested funding for cleanup assistance at Washington Avenue South and East of Portland Avenue. Historic use of the site includes a railroad yard, and since 1992 a parking lot. Several subsurface investigations, feasibility studies and response

actions have been implemented at the site. A groundwater removal and treatment, steam injection and soil vapor extraction remediation system was installed in 1998 and abandoned in 2002 after receiving approval from MPCA. However soil contamination consisting of metals, DRO's, petroleum related VOC's and PAH's needs to be addressed prior to redevelopment occurring.

**1822 Park Avenue – Hennepin County ERF \$50,000**

**Ward 6**

The project is an 18-unit apartment building constructed in 1916. It is approximately half occupied but "dilapidated". Central Community Housing Trust (CCHT) has purchased the building and intends to renovate it. The 1822 Park Avenue project will preserve 13 units of affordable housing. A previous ERF grant of \$5,200 funded asbestos and lead paint surveys of the building.

**2101 Washington Street – Hennepin County ERF \$30,000**

**Ward 3**

The site is a 1.65 acre vacant lot currently owned by a church. The Holland Neighborhood group, which has proposed a residential use for the site and plans to purchase it with NRP funds, has already funded some environmental assessment work. Reuse planning for the site is still too preliminary as to identify the expected number of residential units. A phase I assessment of the site indicated that a portion of the property had been subject to some unauthorized dumping. A phase II investigation identified polynuclear aromatic hydrocarbons (PAHs) and lead at concentrations in excess of residential and industrial soil reference values. Additional investigation is needed to determine the full extent of the contamination.

**Cecil Newman Plaza – Hennepin County ERF \$20,000**

**Ward 5**

The 3.06 acre site contains a complex of eight apartment buildings (64 units) and a multi-function building, located adjacent to the Heritage Park project. It is an occupied project-based section 8 property. A planned renovation of the property will retain 64 units of affordable housing. Because the property is a project-based section 8 a HUD acceptable lead-based paint survey is required prior to renovation. Previous lead and asbestos surveys conducted at the property do not meet HUD standards.

Built in the 1960's the property receives Federal Housing Assistance Payments through a project-based contract with HUD. As a development receiving project-based assistance, Cecil is required to perform a risk assessment for the presence of lead-based paint at the property. In addition to this HUD-mandated assessment, the owner needs to determine the extent of any asbestos products at the site, in order to incorporate any necessary abatement costs into an anticipated major rehabilitation of the development.

The environmental testing that was done in 2002 at the property was limited in scope, and did not meet the requirements for a full-scale risk assessment for lead. While the samples tested did not produce evidence of wide-spread lead or asbestos, given forty

years of different finishes that have been applied to walls, floors, and ceilings, as well as the joints in the sheet-rock, there is a perceived need to determine the extent of the presence of lead and asbestos before any renovation begins. Funds are requested so that the owner can assess these risks more completely to adequately budget for and address any health or safety issues during the renovation.

**Former Gas Holder No.4, University of Minnesota – Hennepin County ERF \$50,000**

**Ward 2**

The 6.8 acre site is currently used as athletic fields and contains a small utility building. The site, which was formerly the location of a manufactured gas holder, is contaminated with coal tar associated compounds. A phase II work plan has been implemented but, because the extent of off-site impact has not yet been determined, the final report has not been prepared. The University is requesting an ERF grant for additional assessment and Response Action Plan development work, in order to complete the investigation of the site.

**Homewood Apartments – Hennepin County ERF \$20,000**

**Ward 5**

There are actually two applications for two separately owned buildings, which are collectively known as the Homewood Apartments. The two buildings, Sheridan Homewood Apartments and Thomas Homewood Apartments, are identical buildings that share a courtyard. Each building contains 18 affordable housing units and although are owned by separate limited partnerships, are both managed together by the non-profit Twin City Housing and Development Corporation (TCHDC). The buildings are in need of rehab. Because the rehab is expected to cost more than \$25,000 per unit and it is likely that federal funds will be used, a HUD-mandated assessment is required. Limited asbestos and lead surveys have been conducted, but they don't meet HUD requirements. The estimated cost of the HUD assessment is \$10,000 for each building.

**Ripley Gardens – Hennepin County ERF \$150,000**

**Ward 7**

The project site consists of a former hospital building, a house and an outbuilding, all of which presently are vacant. The applicant intends to redevelop the site as 60 to 80 units of mixed-rate housing, possibly including some commercial spaces and open space. Twenty-eight of the residential rental units will be affordable at 50% of the median income. This project (formerly known as the Queen Campus project) has already received an ERF grant of \$25,000, which was used to remove an underground storage tank. Central Community Housing Trust (CCHT) requests \$150,000 to go toward the estimated \$200,000 cost for the removal of asbestos and lead based paint. Approvals for most the project have been obtained from state and local historical preservation offices, with the only outstanding issue being the retention of the smokestack.

**Grain Belt Housing – Metropolitan Council LCDA - \$775,000**

Ward 3

In 1988, the City acquired the Grain Belt complex in Northeast Minneapolis before its owner could demolish the historic Grain Belt Brewhouse and several other historically significant buildings. After the renovation of the Brewhouse, the MCDA solicited for proposals to redevelop the rest of the site into housing. The MCDA has been working with the selected developer, Mr. Ross Fefercorn, to make this project a reality. The grant funds will be used to help construct phase 1 of this multi-stage ownership housing development.